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VIA ELECTRONIC FILING

The Honorable Jocelyn G. Boyd
Chief Clerk and Executive Director
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia SC 29210

**Re: Application of Duke Energy Progress, LLC for Approval of Demand-Side Management and Energy Efficiency Rider 13, Increasing Residential and Non-Residential Rates
Docket No. 2021-243-E**

Responsive Comments of Duke Energy Progress, LLC

Dear Ms. Boyd:

Duke Energy Progress, LLC (“DEP” or the “Company”) files this letter in response to the South Carolina Office of Regulatory Staff’s (“ORS”) review of the Company’s Demand-Side Management (“DSM”) and Energy Efficiency (“EE”) Rider 13 Application (“ORS Rider Report”) and the comments filed by the Southern Alliance for Clean Energy and South Carolina Coastal Conservation League (the “Environmental Parties”) in the above-referenced docket. The Company believes this matter is now ready for Commission action as the proposed rates are to go into effect January 1, 2022, and the Companies are filing herewith a proposed order for the Commission’s consideration.

Response to ORS Rider Report

In the ORS Rider Report filed in this proceeding, ORS recommends approval of the Company’s requested Rider 13 rates as proposed in its Application filed July 30, 2021, finding that “the updated Rider 13 was developed in accordance with the terms and conditions set forth by the Commission and is based on reasonable estimates of participation in the Company’s DSM/EE programs.”¹ ORS notes that DEP’s EnergyWise for Business program is not currently cost-effective and recommends that the Company incorporate changes to improve the program’s cost-effectiveness. The Company intends to adhere to ORS’s recommendation and will keep the Collaborative informed of program enhancements designed to improve the cost-effectiveness of

¹ ORS Rider Report at 12.

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the EnergyWise for Business program. In particular, while higher-demand business customers have not participated as projected, the Company has identified and implemented certain cost-savings opportunities associated with the program and has learned that the program's thermostat-related savings are higher than projected. The Company expects that these updates will improve the program's cost-effectiveness.

Response to Environmental Parties' Comments

In their comments, the Environmental Parties go far beyond the scope of this EE/DSM cost recovery rider proceeding, critiquing the Market Potential Study used in the Integrated Resource Plan ("IRP") proceedings, attacking the EE Collaborative process, and requesting the development of a plan to achieve 1% savings over the next six years, all of which have very little, if anything, to do with the cost recovery rider the Company proposed for approval in this docket. The Environmental Parties offered many of the same critiques—which generally do not bear on these EE/DSM cost recovery proceedings—in their comments filed in the Duke Energy Carolinas, LLC EE/DSM rider proceeding earlier in 2021 in Docket No. 2021-76-E. The Environmental Parties' comments did not inform the Commission's decision-making as related to the utility's EE/DSM cost recovery. *See* Order No. 2021-514, Docket No. 2021-76-E (July 30, 2021).

Integrated Resource Plan, Market Potential Study and Cost Effectiveness Test

The Environmental Parties critique matters that were fully vetted in the Integrated Resource Plan ("IRP") proceeding, Docket No. 2019-225-E, and already addressed by the Commission in Order No. 2021-447. Further, the Company's Modified IRP is currently pending before the Commission. Because the Commission fully addressed these issues in its order—and given ex parte communications concerns (*see* S.C. Code Ann. § 58-3-260(B)) and the fact that these matters will continue to be addressed within the IRP docket—the Company declines to provide reply comments on these issues in this docket.

As for the Environmental Parties' critique that the transition from the Total Resource Cost ("TRC") to the Utility Cost Test ("UCT") has not yet yielded increased projected savings associated with EE/DSM programs, rather than artificially increase these projections, the Company takes an objective approach to estimating these savings. As new savings opportunities are identified, the associated savings projections will be updated. The Company cautions against artificially inflating the EE/DSM forecast given its direct link to customer costs and system reliability.

Environmental Parties' Recommendation Regarding 1% Annual Savings

Much of the Environmental Parties' comments center on bolstering their recommendation that the Company should be required to work with the Collaborative to produce a plan to exceed 1% annual savings in each of the next six years and comparing the performance of DEP to Duke Energy Carolinas, LLC ("DEC"). This recommendation is outside the scope of this cost recovery proceeding and goes beyond the requirements agreed to in the EE/DSM Mechanism settlement and associated Commission order.

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First, the Company questions the Environmental Parties' recommendation that DEP produce a plan on how to exceed 1% annual savings over the next six years and questions how they arrived at the six-year timeframe. The Company already consistently engages the Collaborative to develop new program and measure ideas and is committed, in good faith, to implementing cost-effective EE programs in a way that maximizes savings for customers. The work of the Company and the members of the Collaborative is best focused on effective program design and implementation—i.e., objects that actually produce customer savings—rather than fixating on arbitrary savings goals.

Second, the Company would note that, while the EE/DSM Mechanism settlement entered into in Docket No. 2015-163-E states that the Company will pursue the “goal” of 1% incremental savings per year, there was no requirement in that settlement or associated order that the Company develop an associated framework around that goal. Indeed, the Company takes achieving this 1% savings aspiration goal very seriously and continues to work with stakeholders within the Commission's Rules and Orders toward developing cost-effective and marketable EE and DSM programs that will result in savings for its customers.

The Environmental Parties note that “DEP's projections have nearly always underestimated its actual energy savings.”² If the Company over-projects its savings based on goals that are not linked to actual savings, that will artificially increase rates, resulting in an overcollection from customers. This is not an outcome the Company supports. Instead, the Company tirelessly works toward improving and implementing programs that produce customer savings, and that the Company may exceed its projections means that it is implementing programs in an effective way.

Environmental Parties' Recommendation Regarding DEP's Low-Income Efficiency Program Budget

The Environmental Parties also suggest the Commission should require DEP to increase its low-income efficiency program budgets to at least match those of DEC on a per-residential customer basis.³ The Environmental Parties' budgetary recommendations appear to be based on the misconception that increasing a projected budget for an energy efficiency program will automatically increase the participation in an EE/DSM program and thereby result in increased energy savings. The Company has attempted to address this misconception multiple times with the Collaborative and has explained that a program budget is not a *ceiling* on spending, but rather an attempt to accurately reflect the costs associated with the actual projected participation in a program for purposes of cost recovery from customers. Higher projected budgets result in higher projected costs to be recovered from customers through the EE/DSM rider. The past performance of the Company's EE/DSM portfolio has demonstrated many times that if additional program spending above a projected budget is necessary to meet customer participation, the Company's spending will exceed the budget. Rather than simply projecting an arbitrary and unsubstantiated increase to the budget that will flow through the rider as increased costs to customers, the Company is actively working with the Environmental Parties and other stakeholders to develop programs

² *Id.* at 3.

³ *Id.* at 21-22.

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specifically targeting low-income customers that will justify additional spending associated with projected participation.

Critiques of the Carolinas Collaborative

Finally, the Environmental Parties critique the Collaborative—a long-standing advisory group of interested stakeholders from across South Carolina and North Carolina; these critiques are wholly outside the scope of this cost recovery proceeding. The Collaborative serves as a key source for input into the Company’s EE/DSM portfolio and allows this diverse group of stakeholders to inform potential new program offerings and enhancements, and the Collaborative helps the Company avoid blind spots in programming and marketing.

The Company has established a process in which members determine the agenda, request subject matter experts to present on a wide range of topics, and receive meeting materials in advance to ensure adequate time for review. The Company also hosts working groups or initiates separate conference calls to discuss items that cannot be fully explored during bimonthly meetings. Twice a year, the Company presents each of the residential and nonresidential programs one-by-one and leads a discussion with Collaborative members and the Company’s program managers. The analytics team presents evaluation, measurement, and verification studies twice a year as well. The Companies’ subject matter experts also carve out opportunities to solicit Collaborative feedback at various stages of program design, implementation, and review.

The Environmental Parties urge the Company to track the impact of Collaborative-sponsored program recommendations and report them to the Collaborative and in future DEP DSM/EE Recovery Rider filings.⁴ While the Company values the collaboration offered by the Collaborative, deciding what portion of energy savings is attributable to the Collaborative and what portion the Company achieved on its own creates no benefit for customers and is antithetical to the nature of true collaboration. Since Collaborative members and the Company are aligned under a common mission statement and a shared desire to bring successful cost-effective EE/DSM programs to customers, attempting to track and assign credit for successes is unnecessary and counterproductive and would unreasonably add administrative costs that customers would be required to bear. Furthermore, because program development is already challenging, imposing arbitrary deadlines to speed up the process will likely undermine the Company’s ability to give each suggestion the amount of research and investigation it warrants, impairing its ability to propose to the Commission well-designed programs that are cost-effective for customers.

While the Environmental Parties assert that there is “concern with Duke’s handling of the stakeholder program recommendations”⁵ in implementing program suggestions from the Collaborative, and imply that the Company is ignoring or not acting on suggestions from Collaborative members, this is simply untrue. While the Company is always eager to find new ways to encourage customers’ energy efficiency, the process of developing new, general program ideas into cost-effective, scalable, commercially viable programs is not at all a straightforward task. Turning ideas into viable programs that actually save customers money can be difficult work, and the Environmental Parties’ comments do not account for the technical side of program

⁴ *Id.* at 23.

⁵ *Id.* at 23.

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development. In other words, what the Environmental Parties interpret as the Company's failure to take visible action is actually the very nature of intentional and objective program development. DEP has the responsibility to develop, propose, implement, and administer cost-effective DSM/EE programs that comply with this Commission's Rules and the Mechanism that the Commission has approved for use by the Company for DSM/EE program cost recovery purposes. These additional hurdles add complexity and time to the program development process. Hastily implemented measures are more likely to fail and actually lose customers money as compared to those which have been vetted, developed, and tailored to the Company's service territory and customers, and that process takes time.

The Company finds significant value in the Collaborative's suggestions and input. The Company hosts the Collaborative six times per year, meeting for four to five hours each session. Between Collaborative meetings, the Company investigates new program ideas, and hosts conference calls and working groups to evaluate the feasibility of proposals and program modifications. Even if the Company is not able to immediately start up and implement a new program when the Collaborative submits an idea, the engagement assures that the Company is aware of as many potential opportunities to enhance and provide cost-effective programs for all DEP customers. The Company will continue, in good faith, to pursue energy efficiency proposals that will be cost-effective for its customers and feasible from a program perspective, and its track record of program performance is proof of its dedication to implementing measures that work.

Conclusion

The Company appreciates the Environmental Parties' interest in this EE cost recovery proceeding and appreciates their support for the approval of Rider 13.⁶ The Company looks forward to continuing to work with them and other stakeholders within the Collaborative in the work of program development and implementation. The Company respectfully submits this matter is now ready for Commission action. As the proposed rates are to be effective January 1, 2022, the Company is also attaching for the Commission's convenience a proposed order reflecting approval of the proposed rates. The proposed order is being provided in Word version to the hearing officer.

Kind regards,



Sam Wellborn

cc: Parties of Record (via email with attachment)
David Butler, Chief Hearing Officer (via email with attachment)

⁶ *Id.* at 24.